

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CITY OF HAZEL PARK	County OAKLAND
Fiscal Year End 06/30/07	Opinion Date NOVEMBER 07, 2007	Date Audit Report Submitted to State	

We affirm that:

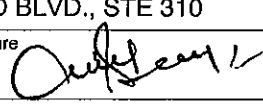
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	TO BE FORWARDED	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) ALAN C YOUNG & ASSOCIATES, P.C.		Telephone Number (313) 873 7500	
Street Address 2990 W. GRAND BLVD., STE 310		City DETROIT	State MI
Zip 48202			
Authorizing CPA Signature 	Printed Name ANIL SAKHUJA	License Number 110102118	

City of Hazel Park, Michigan

**Financial Report
with Supplemental Information
June 30, 2007**

City of Hazel Park, Michigan

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets (Deficit)	8
Statement of Activities	9-10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Statement of Revenue, Expenditures, and Changes in Fund Balances	12
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Proprietary Funds:	
Statement of Net Assets (Deficit)	14
Statement of Revenue, Expenses, and Changes in Net Assets (Deficit)	15
Statement of Cash Flows	16
Fiduciary Funds:	
Statement of Net Assets	17
Statement of Changes in Net Assets	18
Notes to Financial Statements	19-38
Required Supplemental Information	39
Budgetary Comparison Schedule - General Fund	40-41
Note to Required Supplemental Information	42-43
Other Supplemental Information	44
Nonmajor Governmental Funds:	
Combining Balance Sheet	45-46
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	47-48
Agency Funds - Combining Statement of Assets and Liabilities	49

**Alan C.
Young & Associates, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

2990 W. Grand Blvd., Suite 310
Detroit, MI 48202

(313) 873-7500
(313) 873-7502 (Fax)
www.alancyoung.com

Independent Auditor's Report

To the Honorable Mayor and Members
of the City Council
City of Hazel Park, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hazel Park, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hazel Park, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hazel Park, Michigan as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and Members
of the City Council
City of Hazel Park, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hazel Park, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Alan C. Young; Assoc.

November 7, 2007

City of Hazel Park, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Hazel Park, Michigan's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2007:

- In February 2006, the City's voters passed a Headlee Amendment override, which became effective for the property taxes levied on July 1, 2006. This resulted in an increase in General Fund property tax revenue of approximately \$1 million this year.
- During the year, the City approved a move from its single-employer, self-administered defined benefit pension plan to the Michigan Municipal Employees' Retirement System (MERS), a multiple-employer plan. The move was made with an effective date of July 1, 2006. The actuary calculation for the required pension contribution was made with plan assets reported as of October 2006. The required contributions were calculated with the first contribution date being November 2006. Therefore, for the current fiscal year, there is no required contribution for July - October 2006.
- At June 30, 2006, there were long-term receivables and payables between the City and the Pension System stemming from a 2002 contractual agreement. Due to the dissolution of the City's retirement system, as discussed above, the long-term receivables/payables between the City and the Pension System were settled. This resulted in a nonrecurring expense to the General Fund of \$650,000.
- Healthcare costs continue to rise. Total healthcare costs for active employees and retirees increased approximately \$421,000 over last year, which represents a 16.4 percent increase. Retiree healthcare represents over 61 percent of the City's total cost of health care.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets (deficit) and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

City of Hazel Park, Michigan

Management's Discussion and Analysis (Continued)

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

The City as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2007 and 2006:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current assets	\$ 3,699,481	\$ 2,466,684	\$ 2,640,893	\$ 1,948,834	\$ 6,340,374	\$ 4,415,518
Noncurrent assets	<u>20,642,404</u>	<u>21,733,465</u>	<u>15,041,502</u>	<u>15,947,944</u>	<u>35,683,906</u>	<u>37,681,409</u>
Total assets	24,341,885	24,200,149	17,682,395	17,896,778	42,024,280	42,096,927
Liabilities						
Current liabilities	2,408,943	1,409,565	1,329,316	1,072,741	3,738,259	2,482,306
Long-term liabilities	<u>5,211,484</u>	<u>6,130,135</u>	<u>11,759,227</u>	<u>12,369,667</u>	<u>16,970,711</u>	<u>18,499,802</u>
Total liabilities	<u>7,620,427</u>	<u>7,539,700</u>	<u>13,088,543</u>	<u>13,442,408</u>	<u>20,708,970</u>	<u>20,982,108</u>
Net Assets (Deficit)						
Invested in capital assets -						
Net of related debt	17,898,580	18,570,851	2,618,299	2,450,043	20,516,879	21,020,894
Restricted	1,145,708	961,212	117,500	127,500	1,263,208	1,088,712
Unrestricted	<u>(2,322,830)</u>	<u>(2,871,614)</u>	<u>1,858,053</u>	<u>1,876,827</u>	<u>(464,777)</u>	<u>(994,787)</u>
Total net assets (deficit)	<u>\$ 16,721,458</u>	<u>\$ 16,660,449</u>	<u>\$ 4,593,852</u>	<u>\$ 4,454,370</u>	<u>\$ 21,315,310</u>	<u>\$ 21,114,819</u>

The City's combined net assets increased approximately 1 percent from a year ago, increasing from approximately \$21,115,000 to \$21,315,000. Analyzing the governmental activities separately from the business-type activities, the net assets related to governmental activities increased by approximately \$61,000 and the business-type increased by approximately \$139,000.

City of Hazel Park, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the years ended June 30, 2007 and 2006:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue						
Program revenue:						
Charges for services	\$ 3,787,221	\$ 3,701,116	\$ 5,216,959	\$ 4,999,156	\$ 9,004,180	\$ 8,700,272
Operating grants and contributions	1,388,378	1,419,702	-	-	1,388,378	1,419,702
Capital grants and contributions	129,431	45,734	-	-	129,431	45,734
General revenue:						
Property taxes	7,094,695	6,040,742	-	-	7,094,695	6,040,742
State-shared revenue	2,497,168	2,565,278	-	-	2,497,168	2,565,278
Race track breakage	495,161	551,891	-	-	495,161	551,891
Unrestricted investment earnings	147,932	110,744	60,106	25,854	208,038	136,598
Franchise fees	161,248	151,074	-	-	161,248	151,074
Transfers	(205,000)	(200,000)	205,000	200,000	-	-
Total revenue	15,496,234	14,386,281	5,482,065	5,225,010	20,978,299	19,611,291
Program Expenses						
General government	4,489,156	4,237,048	-	-	4,489,156	4,237,048
Public safety	6,582,625	7,062,252	-	-	6,582,625	7,062,252
Public works	3,469,150	3,546,630	-	-	3,469,150	3,546,630
Recreation and culture	348,856	353,852	-	-	348,856	353,852
Community and economic development	416,405	373,136	-	-	416,405	373,136
Interest on long-term debt	129,033	140,655	-	-	129,033	140,655
Water and sewer	-	-	3,922,893	3,822,144	3,922,893	3,822,144
Municipal Ice Arena	-	-	1,419,690	1,413,024	1,419,690	1,413,024
Total program expenses	15,435,225	15,713,573	5,342,583	5,235,168	20,777,808	20,948,741
Change in Net Assets	\$ 61,009	\$ (1,327,292)	\$ 139,482	\$ (10,158)	\$ 200,491	\$ (1,337,450)

Governmental Activities

Total revenues of the governmental activities increased approximately \$1.1 million when compared to the prior year. This is primarily attributed to the additional property tax revenue resulting from the Headlee Override. Total expenses decreased approximately \$280,000 when compared to last year.

City of Hazel Park, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund and the Municipal Ice Arena Fund.

The City provides water to residents from the City of Detroit's water system and sewage treatment is provided through the Oakland County Drain Commission. Operations of the systems improved compared to the prior year. The current year income from operations was \$248,417, compared to the prior year operating income of \$225,627. Due to a meter change-out program over the past few years, the City has been able to get more accurate reads on water use. Revenue from the sale of water increased 7 percent over 2006.

The Municipal Ice Arena houses two ice rinks that cater to local amateur hockey teams, figure skaters, and public skating. In 2007, the ice arena experienced income from operations of approximately \$172,000, compared to \$118,000 in 2006. Although operations have generated profits, the debt service requirements exceed the operating income. The ice arena received a \$205,000 subsidy from the City's General Fund during 2007 to help with the debt service requirements.

The City's Funds

Our analysis of the City's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City's major funds for 2007 include the General Fund, the Water and Sewer Fund, and the Municipal Ice Arena Fund.

The General Fund ended the year with total fund balance of \$549,520 and unrestricted fund balance of \$154,284. Revenue increased approximately \$1,000,000 over 2006 while operating expenditures increased \$1,900,000. Increased property taxes resulting from the Headlee Override approval account for the increase in General Fund revenue.

The increase in the expenditures is attributable to two key factors. As previously mentioned, the General Fund incurred a nonrecurring expenditure of \$650,000 in order to settle a contractual obligation with the City's former pension system. The other factor in the increase in expenditures is related to pension expense. In 2006, due to the impending move to the MERS system, there was no pension expense recorded on the fund-based statements. The required contribution had been recorded as a net pension obligation (long-term debt), which is not reflected on the fund-based statements. However, in 2007, eight months of pension expense has been recorded in the funds.

City of Hazel Park, Michigan

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. The final amended budget included approximately \$471,000 more in expenses than the originally adopted budgeted, in anticipation of increasing healthcare costs. The final budget provided that the City would use \$578,099 of beginning fund balance; actual operations resulted in the use of only \$293,492 of fund balance. Overall, the City out-performed the budget by approximately \$285,000.

Capital Asset and Debt Administration

Notable capital asset additions for governmental activities included \$100,000 of fire equipment purchased with grant funds and \$98,000 for five new police cars.

Capital asset purchases in 2007 for business-type activities included \$39,400 of water main improvements and approximately \$56,600 of improvements to the George W. Kuhn drainage system (see Note 14).

Economic Factors and Next Year's Budgets and Rates

Due to the poor financial position the City has been in for the past several years, many capital needs have been delayed. Now that the City has experienced improvement in its financial health, next year's budget provides for the purchase of a new fire truck and a new phone system for City Hall.

The City will continue to monitor pension and healthcare costs and the need to subsidize the Municipal Ice Arena. City management and City Council will implement new strategies, if needed, to maintain the current levels of service to the public.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

City of Hazel Park, Michigan

Statement of Net Assets (Deficit) June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 2,174,695	\$ 1,186,672	\$ 3,361,367	\$ 103,087
Receivables (Note 4)	1,009,929	1,134,418	2,144,347	42,184
Inventories	21,639	39,524	61,163	-
Prepaid costs and other assets	493,218	280,279	773,497	-
Restricted assets (Note 8)	-	117,500	117,500	-
Capital assets - Net (Note 5):				
Assets not being depreciated	1,194,004	891,033	2,085,037	154,766
Assets being depreciated	19,448,400	14,032,969	33,481,369	120,855
Total assets	24,341,885	17,682,395	42,024,280	420,892
Liabilities				
Accounts payable	424,445	499,169	923,614	1,674
Accrued and other liabilities	1,482,164	150,776	1,632,940	52,156
Deferred revenue (Note 4)	35,832	-	35,832	-
Noncurrent liabilities (Note 7):				
Due within one year	466,502	679,371	1,145,873	323,654
Due in more than one year	5,211,484	11,759,227	16,970,711	4,073,973
Total liabilities	7,620,427	13,088,543	20,708,970	4,451,457
Net Assets (Deficit)				
Invested in capital assets - Net of related debt	17,898,580	2,618,299	20,516,879	232,994
Restricted:				
Construction code fees	103,868	-	103,868	-
Highways and streets	119,536	-	119,536	-
Garbage and rubbish collection	494,131	-	494,131	-
Drug law enforcement	294,805	-	294,805	-
Cable operations	133,368	-	133,368	-
Revenue bond	-	117,500	117,500	-
Unrestricted	(2,322,830)	1,858,053	(464,777)	(4,263,559)
Total net assets (deficit)	<u>\$ 16,721,458</u>	<u>\$ 4,593,852</u>	<u>\$ 21,315,310</u>	<u>\$ (4,030,565)</u>

City of Hazel Park, Michigan

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 4,489,156	\$ 2,247,013	\$ 90,800	\$ -
Public safety	6,582,625	404,839	75,826	9,826
Public works	3,469,150	843,617	1,073,207	119,605
Recreation and culture	348,856	89,938	56,544	-
Community and economic development	416,405	201,814	92,001	-
Interest on long-term debt	129,033	-	-	-
Total governmental activities	15,435,225	3,787,221	1,388,378	129,431
Business-type activities:				
Water and sewer	3,922,893	4,015,417	-	-
Municipal Ice Arena	1,419,690	1,201,542	-	-
Total business-type activities	5,342,583	5,216,959	-	-
Total primary government	<u>\$ 20,777,808</u>	<u>\$ 9,004,180</u>	<u>\$ 1,388,378</u>	<u>\$ 129,431</u>
Component unit - Downtown Development Authority				
	<u>\$ 643,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Race track breakage				
Unrestricted investment earnings				
Franchise fees				
Transfers				
Total general revenues and transfers				
Change in Net Assets				
Net Assets (Deficit) - Beginning of year				
Net Assets (Deficit) - End of year				

Statement of Activities
Year Ended June 30, 2007

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (2,151,343)	\$ -	\$ (2,151,343)	\$ -
(6,092,134)	-	(6,092,134)	-
(1,432,721)	-	(1,432,721)	-
(202,374)	-	(202,374)	-
(122,590)	-	(122,590)	-
(129,033)	-	(129,033)	-
(10,130,195)	-	(10,130,195)	-
-	92,524	92,524	-
-	(218,148)	(218,148)	-
-	(125,624)	(125,624)	-
(10,130,195)	(125,624)	(10,255,819)	-
-	-	-	(643,469)
7,094,695	-	7,094,695	1,016,271
2,497,168	-	2,497,168	-
495,161	-	495,161	-
147,932	60,106	208,038	16,696
161,248	-	161,248	-
(205,000)	205,000	-	-
10,191,204	265,106	10,456,310	1,032,967
61,009	139,482	200,491	389,498
16,660,449	4,454,370	21,114,819	(4,420,063)
\$ 16,721,458	\$ 4,593,852	\$ 21,315,310	\$ (4,030,565)

City of Hazel Park, Michigan

Governmental Funds Balance Sheet June 30, 2007

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and investments	\$ 897,095	\$ 1,177,474	\$ 2,074,569
Receivables - Net (Note 4)	327,534	31,890	359,424
Due from other governmental units (Note 4)	465,603	184,902	650,505
Due from other funds (Note 6)	98,806	-	98,806
Prepaid costs and other assets	356,992	14,739	371,731
Inventory	21,639	-	21,639
Total assets	\$ 2,167,669	\$ 1,409,005	\$ 3,576,674
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 356,389	\$ 68,056	\$ 424,445
Accrued and other liabilities	1,181,690	59,890	1,241,580
Due to other funds (Note 6)	-	98,806	98,806
Deferred revenue (Note 4)	80,070	35,832	115,902
Total liabilities	1,618,149	262,584	1,880,733
Fund Balances			
Reserved for:			
Construction code fees (Note 2)	103,868	-	103,868
Prepaid costs	268,524	-	268,524
Inventory	21,639	-	21,639
Fire equipment	1,205	-	1,205
Unreserved, reported in:			
General Fund	154,284	-	154,284
Special Revenue Funds	-	1,146,421	1,146,421
Total fund balances	549,520	1,146,421	1,695,941
Total liabilities and fund balances	\$ 2,167,669	\$ 1,409,005	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds			20,642,404
Long-term liabilities are not due and payable in the current period and are not reported in the funds			(5,677,986)
Amounts earned during the year but not received within 60 days of year end are not reported in the funds			80,070
Accrued interest on long-term liabilities is not due and payable in the current period and is not reported in the funds			(20,584)
Internal Service Funds are reported as governmental activities			1,613
Net assets of governmental activities			\$ 16,721,458

City of Hazel Park, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2007

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue			
Property taxes	\$ 6,344,061	\$ 750,634	\$ 7,094,695
Licenses and permits	367,637	-	367,637
Federal grants	2,165	221,432	223,597
State-shared revenues and grants	2,577,543	1,149,033	3,726,576
Race track breakage	430,790	64,371	495,161
Charges for services	802,496	477,376	1,279,872
Fines and forfeitures	1,850,157	62,024	1,912,181
Interest	83,459	66,220	149,679
Rentals	50,500	-	50,500
Other	517,018	186,986	704,004
Total revenue	13,025,826	2,978,076	16,003,902
Expenditures			
Current:			
General government	5,403,788	6,049	5,409,837
Public safety	6,337,489	198,633	6,536,122
Public works	527,201	1,788,510	2,315,711
Community and economic development	580,886	-	580,886
Recreation and culture	366,914	-	366,914
Capital outlay	-	283,321	283,321
Debt service	-	335,629	335,629
Total expenditures	13,216,278	2,612,142	15,828,420
Excess of Revenue (Under) Over Expenditures	(190,452)	365,934	175,482
Other Financing Sources (Uses)			
Transfers in	134,979	134,119	269,098
Transfers out	(238,019)	(236,079)	(474,098)
Total other financing uses	(103,040)	(101,960)	(205,000)
Net Change in Fund Balances	(293,492)	263,974	(29,518)
Fund Balances - Beginning of year	843,012	882,447	1,725,459
Fund Balances - End of year	<u>\$ 549,520</u>	<u>\$ 1,146,421</u>	<u>\$ 1,695,941</u>

City of Hazel Park, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds **\$ (29,518)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	231,461
Depreciation on capital assets is reported as part of governmental activities	(1,105,856)
Repayment of long-term obligations is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	852,124
Pension expense related to net pension obligation is recorded in the statement of activities, but not in the governmental funds	(10,940)
Revenue reported in the statement of activities that did not provide current financial resources and is reported as revenue in the governmental funds in the year collected	80,070
Increases in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities	38,734
Decrease in accrued interest expense is recorded when incurred in the statement of activities	3,321
Internal Service Funds are included as governmental activities	<u>1,613</u>

Change in Net Assets of Governmental Activities **\$ 61,009**

City of Hazel Park, Michigan

Proprietary Funds Statement of Net Assets (Deficit) June 30, 2007

	Enterprise Funds			Governmental Activities
	Water and Sewer	Municipal Ice Arena	Total Enterprise Funds	Internal Service Fund
Assets				
Current assets:				
Cash and investments (Note 3)	\$ 1,168,484	\$ 18,188	\$ 1,186,672	\$ 100,126
Receivables - Net (Note 4)	1,108,168	26,250	1,134,418	-
Inventories	39,524	-	39,524	-
Prepaid costs and other assets	111,086	169,193	280,279	121,487
Total current assets	2,427,262	213,631	2,640,893	221,613
Noncurrent assets:				
Restricted assets (Note 8)	117,500	-	117,500	-
Capital assets - Net (Note 5)	7,441,063	7,482,939	14,924,002	-
Total noncurrent assets	7,558,563	7,482,939	15,041,502	-
Total assets	9,985,825	7,696,570	17,682,395	221,613
Liabilities				
Current liabilities:				
Accounts payable	456,228	42,941	499,169	-
Accrued and other liabilities	47,367	103,409	150,776	220,000
Current portion of long-term debt (Note 7)	375,790	303,581	679,371	-
Total current liabilities	879,385	449,931	1,329,316	220,000
Noncurrent liabilities - Long-term debt - Net of current portion (Note 7)	3,934,445	7,824,782	11,759,227	-
Total liabilities	4,813,830	8,274,713	13,088,543	220,000
Net Assets (Deficit)				
Investment in capital assets - Net of related debt	3,235,360	(617,061)	2,618,299	-
Restricted - Revenue bond	117,500	-	117,500	-
Unrestricted	1,819,135	38,918	1,858,053	1,613
Total net assets (deficit)	<u>\$ 5,171,995</u>	<u>\$ (578,143)</u>	<u>\$ 4,593,852</u>	<u>\$ 1,613</u>

City of Hazel Park, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets (Deficit) Year Ended June 30, 2007

	Enterprise Funds			Governmental Activities
	Water and Sewer	Municipal Ice Arena	Total Enterprise Funds	Internal Service Fund
Operating Revenue				
Sale of water	\$ 1,726,726	\$ -	\$ 1,726,726	\$ -
Sewage disposal charges	1,941,896	-	1,941,896	-
Charges for services	322,416	-	322,416	-
City contributions	-	-	-	2,222,330
Rental income	-	1,089,169	1,089,169	-
Concessions	-	52,677	52,677	-
Pro shop	-	23,900	23,900	-
Other operating income	24,379	35,796	60,175	-
Total operating revenue	4,015,417	1,201,542	5,216,959	2,222,330
Operating Expenses				
Cost of water produced/purchased	528,899	-	528,899	-
Cost of sewage treatment	1,136,143	-	1,136,143	-
Operation and maintenance	1,171,317	647,393	1,818,710	-
General and administrative	539,882	201,427	741,309	-
Depreciation and amortization	390,759	180,708	571,467	-
Benefit payments and claims administration	-	-	-	2,232,069
Total operating expenses	3,767,000	1,029,528	4,796,528	2,232,069
Operating Income (Loss)	248,417	172,014	420,431	(9,739)
Nonoperating Income (Expense)				
Interest income	56,758	3,348	60,106	11,352
Interest expense	(155,893)	(390,162)	(546,055)	-
Income (Loss) - Before transfers	149,282	(214,800)	(65,518)	1,613
Transfers from Other Funds	-	205,000	205,000	-
Change in Net Assets	149,282	(9,800)	139,482	1,613
Net Assets (Deficit) - Beginning of year	5,022,713	(568,343)	4,454,370	-
Net Assets (Deficit) - End of year	<u>\$ 5,171,995</u>	<u>\$ (578,143)</u>	<u>\$ 4,593,852</u>	<u>\$ 1,613</u>

City of Hazel Park, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2007

	Enterprise Funds		Governmental Activities
	Water and Sewer	Municipal Ice Arena	Internal Service Fund
Cash Flows from Operating Activities			
Receipts from customers	\$ 3,876,573	\$ 1,175,292	\$ -
Contributions received	-	-	2,222,330
Payments to suppliers	(2,579,297)	(412,752)	-
Payments to employees	(573,223)	(330,967)	-
Claims paid	-	-	(2,353,556)
Net cash provided by (used in) operating activities	724,053	431,573	(131,226)
Cash Flows from Noncapital and Related Financing Activities			
Proceeds from repayment of interfund advances	157,884	-	-
Transfers from other funds	-	205,000	-
Proceeds from repayment of long-term receivable	433,334	-	-
Net cash provided by noncapital and related financing activities	591,218	205,000	-
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(39,406)	-	-
Principal and interest paid on capital debt	(545,459)	(786,143)	-
Net cash used in capital and related financing activities	(584,865)	(786,143)	-
Cash Flows from Investing Activities - Interest received on investments	56,758	3,348	11,352
Net Increase (Decrease) in Cash and Cash Equivalents	787,164	(146,222)	(119,874)
Cash and Cash Equivalents - Beginning of year	498,820	164,410	220,000
Cash and Cash Equivalents - End of year	<u>\$ 1,285,984</u>	<u>\$ 18,188</u>	<u>\$ 100,126</u>
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and investments	\$ 1,168,484	\$ 18,188	\$ 100,126
Restricted assets	117,500	-	-
Total cash and cash equivalents	<u>\$ 1,285,984</u>	<u>\$ 18,188</u>	<u>\$ 100,126</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ 248,417	\$ 172,014	\$ (9,739)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	390,759	180,708	-
Net pension obligation	(920)	(153)	-
Changes in assets and liabilities:			
Receivables	(138,844)	(26,250)	-
Other assets	(29,636)	(16,555)	(121,487)
Accounts payable	234,809	19,597	-
Accrued and other liabilities	19,468	102,212	-
Net cash provided by (used in) operating activities	<u>\$ 724,053</u>	<u>\$ 431,573</u>	<u>\$ (131,226)</u>

Noncash Capital and Related Financing Activities - During the year, the County issued bonds related to the George W. Kuhn drainage system, in which the City shares in a portion of the costs. The City's share of the long-term debt and related fixed asset was \$56,669.

City of Hazel Park, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2007

	Pension Trust Fund	Agency Funds
Assets - Cash (Note 3)	\$ 512,185	<u><u>\$ 291,368</u></u>
Liabilities		
Accrued and other liabilities	512,185	\$ 197,145
Due to other governmental units	<u>-</u>	<u>94,223</u>
Total liabilities	<u>512,185</u>	<u><u>\$ 291,368</u></u>
Net Assets - Held in trust for pension benefits	<u><u>\$ -</u></u>	

City of Hazel Park, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2007

	Pension Trust Fund
Additions - Investment income	
Interest and dividends	\$ 1,087,437
Net appreciation in fair value of investments	2,951,725
Less investment expenses	<u>(121,547)</u>
Net additions	3,917,615
Deductions	
Benefit payments	2,424,222
Administrative expenses	54,856
Transfer of plan assets to MERS (Note 10)	<u>40,865,911</u>
Total deductions	<u>43,344,989</u>
Net Decrease in Net Assets Held for Pension Benefits	(39,427,374)
Net Assets Held in Trust for Pension Benefits	
Beginning of year	<u>39,427,374</u>
End of year	<u><u>\$ -</u></u>

City of Hazel Park, Michigan

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Hazel Park, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Hazel Park, Michigan:

Reporting Entity

The City of Hazel Park, Michigan is governed by an elected five-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Blended Component Units

The Hazel Park Building Authority is governed by a five-member board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings. The activity of the Hazel Park Building Authority is reported within the General Fund and Municipal Ice Arena Enterprise Fund.

Discretely Presented Component Unit - The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body is approved by the City Council. In addition, the DDA's budget is subject to approval by the City.

Jointly Governed Organization - Jointly governed organizations are discussed in Note 12.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 1 - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 63 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the City.

The City reports the following major governmental fund:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major Enterprise Funds:

Water and Sewer Fund - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Municipal Ice Arena Fund - The Municipal Ice Arena Fund accounts for the operations of Viking Ice Arena.

Additionally, the City reports the following fund types:

Internal Service Fund - The Internal Service Fund accounts for risk management services provided to other departments of the City on a cost reimbursement basis.

Pension Trust Fund - The Pension Trust Fund accounts for the activities of the City's employees' retirement system, which accumulates resources for pension benefit payments to qualified City employees.

Note 1 - Summary of Significant Accounting Policies (Continued)

Agency Funds - Agency Funds account for assets held by the City for individuals, organizations, other governments, or other funds. They are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its Enterprise Funds.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. To the extent that cash from various funds has been pooled, pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Note I - Summary of Significant Accounting Policies (Continued)

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on August 31, at which time penalties and interest are assessed.

The City's 2006 tax is levied and collectible on July 1, 2006 and is recognized as revenue in the year ended June 30, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the City totaled \$329 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 19.5399 mills for operating purposes and 2.4334 mills for garbage and rubbish. This resulted in approximately \$6 million for operating, and approximately \$747,000 for garbage and rubbish. These amounts are recognized in the respective General and Special Revenue Funds financial statements as property tax revenue.

Inventories and Prepaid Costs - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Note I - Summary of Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Land improvements	20 years
Water and sewer distribution systems	30-50 years
Buildings and building improvements	10-50 years
Vehicles	6 years
Machinery and equipment	5-20 years
Infrastructure	20-50 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Vacation pay is accrued when earned, and sick pay is accrued when vested (or likely to vest). A liability is accrued when incurred in the government-wide and proprietary fund financial statements.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets (deficit). Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

City of Hazel Park, Michigan

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Compliance and Accountability

Fund Deficits - The Municipal Ice Arena Fund had an accumulated deficit of \$578,143. The City plans to eliminate the existing deficit through rate increases and interfund transfers.

Construction Code Fees - The City oversees building construction in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity since January 1, 2000 is as follows:

Cumulative surplus - July 1, 2006	\$ 210,317
Revenue	157,174
Related expenses:	
Direct costs	(238,432)
Estimated indirect costs	<u>(25,191)</u>
Total construction code expenses	<u>(263,623)</u>
Cumulative surplus - June 30, 2007	<u><u>\$ 103,868</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City has designated seven banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had approximately \$2,705,000 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

City of Hazel Park, Michigan

Notes to Financial Statements June 30, 2007

Note 3 - Deposits and Investments (Continued)

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the City had no investment securities that were uninsured and unregistered, held by the counterparty or by its trust department or agent but not in the City's name.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the City had no investment securities susceptible to interest rate risk.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 1,143,123	A-I	Standard & Poor's
Bank investment pool	168,149	AAAm	Standard & Poor's
Bank investment pool	24,518	Not Rated	N/A

Note 4 - Receivables and Deferred Revenue

Receivables as of year end for the City's individual major funds and the nonmajor, Internal Service, and fiduciary funds in the aggregate, are as follows:

	General Fund	Nonmajor and Other Funds	Business-type Activities	Total	Component Units
Receivables:					
Special assessments	\$ 109,033	\$ 72,190	\$ -	\$ 181,223	\$ 42,184
Receivables from operations	132,922	-	1,211,366	1,344,288	-
Other	85,579	-	-	85,579	-
Due from other governmental units	465,603	184,902	-	650,505	-
Less allowance for uncollectibles	-	(40,300)	(76,948)	(117,248)	-
Net receivables	<u>\$ 793,137</u>	<u>\$ 216,792</u>	<u>\$ 1,134,418</u>	<u>\$ 2,144,347</u>	<u>\$ 42,184</u>

City of Hazel Park, Michigan

Notes to Financial Statements June 30, 2007

Note 4 - Receivables and Deferred Revenue (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Special assessments	\$ 80,070	\$ -
Cable equipment	-	5,000
Police training	-	19,019
9-11 Police Training Fund	-	11,813
Total	<u>\$ 80,070</u>	<u>\$ 35,832</u>

Note 5 - Capital Assets

Capital asset activity of the City's governmental, business-type, and component unit activities was as follows:

Governmental Activities	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Capital assets not being depreciated -				
Land	\$ 1,194,004	\$ -	\$ -	\$ 1,194,004
Capital assets being depreciated:				
Land improvements	906,100	-	-	906,100
Buildings and improvements	2,036,126	-	-	2,036,126
Machinery and equipment	4,967,772	231,461	-	5,199,233
Infrastructure:				
Roadways	35,256,684	-	-	35,256,684
Sidewalks	8,559,555	-	-	8,559,555
Street lights	352,800	-	-	352,800
Subtotal	52,079,037	231,461	-	52,310,498
Accumulated depreciation:				
Land improvements	809,503	11,915	-	821,418
Buildings and improvements	1,586,717	27,410	-	1,614,127
Machinery and equipment	4,160,427	207,751	-	4,368,178
Infrastructure:				
Roadways	21,573,043	669,949	-	22,242,992
Sidewalks	3,458,972	171,191	-	3,630,163
Street lights	167,580	17,640	-	185,220
Subtotal	31,756,242	1,105,856	-	32,862,098
Net capital assets being depreciated	20,322,795	(874,395)	-	19,448,400
Net capital assets	<u>\$ 21,516,799</u>	<u>\$ (874,395)</u>	<u>\$ -</u>	<u>\$ 20,642,404</u>

City of Hazel Park, Michigan

Notes to Financial Statements June 30, 2007

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Capital assets not being depreciated -				
Land	\$ 891,033	\$ -	\$ -	\$ 891,033
Capital assets being depreciated:				
Land improvements	416,994	-	-	416,994
Water and sewer distribution systems	13,282,045	96,075	-	13,378,120
Buildings and building improvements	8,093,333	-	-	8,093,333
Vehicles	616,442	-	-	616,442
Machinery and equipment	1,717,250	-	-	1,717,250
Subtotal	24,126,064	96,075	-	24,222,139
Accumulated depreciation:				
Land improvements	155,191	15,706	-	170,897
Water and sewer distribution systems	6,841,260	254,509	-	7,095,769
Buildings and building improvements	1,399,727	158,601	-	1,558,328
Vehicles	574,521	41,921	-	616,442
Machinery and equipment	659,288	88,446	-	747,734
Subtotal	9,629,987	559,183	-	10,189,170
Net capital assets being depreciated	14,496,077	(463,108)	-	14,032,969
Net capital assets	<u>\$ 15,387,110</u>	<u>\$ (463,108)</u>	<u>\$ -</u>	<u>\$ 14,924,002</u>
Component Unit				
Capital assets not being depreciated -				
Land	\$ 154,766	\$ -	\$ -	\$ 154,766
Capital assets being depreciated -				
Land improvements	230,200	-	-	230,200
Subtotal	384,966	-	-	384,966
Accumulated depreciation - Land improvements	97,835	11,510	-	109,345
Net capital assets	<u>\$ 287,131</u>	<u>\$ (11,510)</u>	<u>\$ -</u>	<u>\$ 275,621</u>

City of Hazel Park, Michigan

Notes to Financial Statements June 30, 2007

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 24,787
Public safety	130,614
Public works	918,532
Economic development	943
Recreation and culture	<u>30,980</u>

Total governmental activities \$ 1,105,856

Business-type activities:

Water and Sewer	\$ 386,545
Municipal Ice Arena	<u>172,638</u>

Total business-type activities \$ 559,183

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Nonmajor governmental funds:	
	Major Street Fund	\$ 82,387
	Auto Theft Prevention Fund	<u>16,419</u>
	Total nonmajor governmental funds	<u>\$ 98,806</u>

Interfund balances are due to the time lag between when expenses are paid on behalf of another fund and when the reimbursement is received.

City of Hazel Park, Michigan

Notes to Financial Statements June 30, 2007

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds:	
	Auto Theft Prevention Fund (2)	\$ 23,019
	Employee Sick and Vacation Fund (6)	10,000
	Major Proprietary Fund - Municipal Ice Arena (3)	<u>205,000</u>
	Total General Fund	238,019
Nonmajor governmental funds	Major fund - General Fund (1)	134,979
	Nonmajor governmental funds:	
	Local Streets Fund (4)	95,000
	Capital Improvement and Replacement Fund (5)	<u>6,100</u>
	Total nonmajor governmental funds	<u>236,079</u>
	Total funds	<u>\$ 474,098</u>

(1) Transfer for reimbursement of expenses

(2) Transfer for City match of grants

(3) Transfer for operating subsidy

(4) Transfer of Act 51 monies to fund local street expenditures

(5) Transfer for future capital needs

(6) Transfer to fund future sick and vacation payout

City of Hazel Park, Michigan

Notes to Financial Statements June 30, 2007

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from acquired or constructed assets to pay debt service.

The Water and Sewer Fund revenue bonds are payable solely from the net revenues of the system and are not a general obligation of the City. The City has agreed to fix and maintain the system and to provide rates for service provided by the system sufficient to provide for payment of necessary expenses of the system, including the principal and interest on the bonds, when due.

The accumulated compensated absences represent the estimated liability to be paid to governmental fund-type employees under the City's sick and vacation pay policy. Under the City's policy, employees earn sick and vacation time based on time of service with the City.

Long-term obligation activity can be summarized as follows:

	Interest Rate Range	Principal Maturity Range	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activities							
Michigan transportation revenue bonds:							
MI Transportation Bonds Series 1997A:							
Amount of issue - \$475,000	5.68% -	\$35,000 -					
Maturing through 2012	5.80%	\$50,000	\$ 240,000	\$ -	\$ (35,000)	\$ 205,000	\$ 35,000
MI Transportation Bonds Series 1999:							
Amount of issue - \$3,700,000	4.45% -	\$200,000 -					
Maturing through 2017	4.63%	\$300,000	2,650,000	-	(150,000)	2,500,000	200,000
Police vehicles:							
Original amount - \$63,281		\$3,442 -					
Maturing through 2009	3.15%	\$18,258	55,948	-	(17,124)	38,824	17,124
Net pension obligation	N/A	N/A	1,379,001	-	(15,787)	1,363,214	-
Compensated absences	N/A	N/A	1,309,682	-	(45,734)	1,263,948	214,378
General liability self-insurance claims	N/A	N/A	300,000	7,000	-	307,000	-
Long-term pension payable	N/A	N/A	650,000	-	(650,000)	-	-
Total governmental activities			\$ 6,584,631	\$ 7,000	\$ (913,645)	\$ 5,677,986	\$ 466,502

City of Hazel Park, Michigan

Notes to Financial Statements June 30, 2007

Note 7 - Long-term Debt (Continued)

	Interest Rate Range	Principal Maturity Range	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Business-type Activities							
Water and Sewer:							
Water Supply and Sewage Disposal System -							
Revenue Bonds - Series 1999:							
Amount of issue - \$1,640,000	4.53% -	\$100,000 -					
Maturing through 2017	4.90%	\$125,000	\$ 1,275,000	\$ -	\$ (100,000)	\$ 1,175,000	\$ 100,000
Water Utility Fund Auxiliary Engine:							
Original amount - \$205,000							
Maturing through 2007	2.95%	\$ -	32,503	-	(32,503)	-	-
County Contractual Agreements (Note 14):							
Drain Bonds Series 2000A:							
Amount of issue - \$391,341		\$17,291					
Maturing through 2022	2.50%	\$24,514	327,759	-	(16,962)	310,797	17,291
Drain Bonds Series 2000B:							
Amount of issue - \$143,798	5.21% -	\$5,472 -					
Maturing through 2022	5.38%	\$10,835	125,193	-	(5,472)	119,721	5,472
Drain Bonds Series 2001C:							
Amount of issue - \$1,799,117		\$75,839					
Maturing through 2024	2.50%	\$112,609	1,653,679	-	(71,243)	1,582,436	75,839
Drain Bonds Series 2001D:							
Amount of issue - \$69,382		\$3,064 -					
Maturing through 2024	2.50%	\$3,720	-	39,396	(5,690)	33,706	3,064
Drain Bonds Series 2001E:							
Amount of issue - \$216,026	4.97% -	\$8,208 -					
Maturing through 2024	5.25%	\$15,760	200,703	-	(7,660)	193,043	8,208
Drain Bonds Series 2005:							
Amount of issue - \$17,273	1.625%	\$1,532 -					
Maturing through 2026		\$1,751	-	17,273	(1,532)	15,741	1,532
Installment Purchase Agreement -							
Water Meter Installation:							
Original amount - \$1,100,000	2.34% -	\$130,336 -					
Maturing through 2012	3.43%	\$170,222	922,230	-	(146,971)	775,259	152,461
Ice Arena - Building Authority Ice Arena							
Bonds 1999:							
Amount of issue - \$9,700,000	4.61% -	\$300,000 -					
Maturing through 2024	4.70%	\$600,000	8,400,000	-	(300,000)	8,100,000	300,000
Net pension obligation	N/A	N/A	93,750	-	(1,073)	92,677	-
Compensated absences	N/A	N/A	37,992	2,226	-	40,218	15,504
Total business-type activities			\$ 13,068,809	\$ 58,895	\$ (689,106)	\$ 12,438,598	\$ 679,371

City of Hazel Park, Michigan

Notes to Financial Statements June 30, 2007

Note 7 - Long-term Debt (Continued)

	Interest Rate Range	Principal Maturity Range	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Component Unit Activities							
General obligation bonds:							
General Obligation 1994:							
Amount of issue - \$895,000		\$65,000 -					
Maturing through 2013	5.80%	\$95,000	\$ 615,000	\$ -	\$ (55,000)	\$ 560,000	\$ 65,000
General Obligation 1994:							
Amount of issue - \$1,800,000	7.01% -						
Maturing through 2013	7.10%	\$150,000	1,185,000	-	(135,000)	1,050,000	150,000
General Obligation 1997:							
Amount of issue - \$2,175,000	5.38% -	\$70,000 -					
Maturing through 2020	5.50%	\$175,000	1,930,000	-	(60,000)	1,870,000	70,000
Limited Tax Development Bonds 1999:							
Amount of issue - \$975,000	4.87% -	\$25,000 -					
Maturing through 2019	5.00%	\$100,000	900,000	-	(25,000)	875,000	25,000
Shammami Project:							
Original amount - \$120,000							
Maturing through 2011	6.00%	Varies	56,281	-	(13,654)	42,627	13,654
Total component unit activities			\$ 4,686,281	\$ -	\$ (288,654)	\$ 4,397,627	\$ 323,654

Annual debt service requirements to maturity for the above governmental, business-type, and component unit bond and note obligations are as follows:

	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 252,124	\$ 124,464	\$ 376,588	\$ 663,867	\$ 517,652	\$ 1,181,519	\$ 323,654	\$ 242,141	\$ 565,795
2009	253,258	113,306	366,564	672,416	491,724	1,164,140	335,786	222,529	558,315
2010	243,442	102,616	346,058	681,508	465,350	1,146,858	351,451	201,856	553,307
2011	245,000	91,813	336,813	815,711	438,565	1,254,276	386,736	180,082	566,818
2012	250,000	80,625	330,625	778,989	405,820	1,184,809	420,000	156,017	576,017
2013-2017	1,500,000	207,600	1,707,600	3,596,913	1,587,117	5,184,030	1,655,000	449,655	2,104,655
2018-2022	-	-	-	3,642,738	801,656	4,444,394	925,000	92,000	1,017,000
2023-2024	-	-	-	1,453,561	95,437	1,548,998	-	-	-
Total	\$ 2,743,824	\$ 720,424	\$ 3,464,248	\$ 12,305,703	\$ 4,803,321	\$ 17,109,024	\$ 4,397,627	\$ 1,544,280	\$ 5,941,907

Note 8 - Restricted Assets

Restricted assets at June 30, 2007 consist of cash and investments restricted for revenue bond reserve requirements of \$117,500 in the Water and Sewer Fund.

City of Hazel Park, Michigan

Notes to Financial Statements June 30, 2007

Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss, torts, and errors and omissions, participates in the Michigan Municipal League risk pool for employee injuries (workers' compensation), is uninsured for medical benefit claims, and has purchased commercial insurance for dental, optical, and life insurance claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to retention limits, the ultimate liability for those claims remains with the City.

The City estimates the liability for general liability and medical benefit claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	Medical	General Liability
Unpaid claims - June 30, 2005	\$ 220,000	\$ 300,000
Incurred claims (including claims incurred but not reported)	2,588,069	106,688
Claim payments	(2,588,069)	(106,688)
Unpaid claims - June 30, 2006	220,000	300,000
Incurred claims (including claims incurred but not reported)	2,222,330	111,235
Claim payments	(2,222,330)	(104,235)
Unpaid claims - June 30, 2007	<u>\$ 220,000</u>	<u>\$ 307,000</u>

The liability for medical claims is recorded in the City's Internal Service Fund. The liability for general liability claims is not expected to be liquidated with expendable available financial resources and is recorded as a noncurrent liability in the statement of net assets (deficit).

Note 10 - Defined Benefit Pension Plan

Plan Description - During the year ended June 30, 2007, the City's employees began to participate in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy - The obligation to contribute to and maintain the MERS for these employees was established by negotiation with the City's collective bargaining units.

Annual Pension Costs - For the year ended June 30, 2007, the City's annual pension cost of \$772,582 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation on November 1, 2006, using an entry age normal actuarial method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, attributable to inflation, and (c) an additional salary increase of 0 percent to 8.4 percent per year, attributable to seniority/merit. Both (a) and (b) include an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 28 years.

As stated above, the City's participation in the plan commenced during the fiscal year. A valuation as of June 30, 2007 is not available and therefore no information has been included regarding the funding status of the plan. An actuarial valuation will be performed for the year ended December 31, 2007.

Note 11 - Postemployment Benefits

The City provides healthcare benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, 131 retirees are eligible. The City includes pre-Medicare retirees and their dependents in its self-insured healthcare plan with no contribution required by the participant. Expenditures for postemployment healthcare benefits are recognized as the claims are incurred; during the year, this amounted to approximately \$1,836,000.

Note 11 - Postemployment Benefits (Continued)

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Note 12 - Joint Venture

The City is a member of the Southeastern Oakland County Resource Recovery Authority, which provides solid waste disposal services to residents and businesses of Hazel Park. The participating communities provide annual funding for its operations. During the current year, the City contributed approximately \$335,200 for its operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Southeastern Oakland County Resource Recovery Authority can be obtained from the administrative offices at 3910 Webster Road, Royal Oak, MI 48073.

Note 13 - Contingent Liabilities

The City has been named as a defendant in multiple claims and lawsuits requesting damages of various amounts. The various proceedings have not yet progressed to the point where legal opinions can be reached as to the ultimate liabilities, if any, after consideration of available insurance, where applicable, that may result from the resolution of these matters. The City has not recorded an estimate of this liability as of June 30, 2007.

City of Hazel Park, Michigan

Notes to Financial Statements June 30, 2007

Note 14 - Commitments

In a prior fiscal period, the City and all other member communities of the Southeast Oakland County Sewage Disposal System (SOCSDS) agreed to a new National Pollutant Discharge Elimination Systems (NPDES) permit, which resulted in the settlement of a contested case hearing between the Michigan Department of Environmental Quality, Oakland County, Macomb County, the City of Detroit, and the SOCSDS communities. The issuance of the new NPDES permit required the SOCSDS member communities, as co-permittees, to undertake improvements to the Twelve Towns Retention Treatment Facility to expand the capacity and enhance the performance of the wastewater retention treatment facility. The estimated total cost of the project is \$130 million, with the City's estimated share approximating \$3 million. To finance the project, the SOCSDS has issued debt, with each community funding their proportionate share of the debt service payments. The SOCSDS has been able to obtain grant funding and low interest State Revolving Fund money to subsidize and/or finance the improvements. As of June 30, 2007, the City has approximately \$2.3 million in outstanding debt related to this agreement (see Note 7).

Note 15 - Subsequent Event

Subsequent to year end, the County refunded the Drain Bond Series 2000B and Drain Bond Series 2001E through the issuance of Series 2007 bonds. The refunding will save the City approximately \$11,000.

Required Supplemental Information

City of Hazel Park, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 6,329,100	\$ 6,280,705	\$ 6,344,061	\$ 63,356
Licenses and permits	468,100	474,850	367,637	(107,213)
Federal grants	-	500	2,165	1,665
State-shared revenues and grants	2,629,989	2,639,760	2,577,543	(62,217)
Race track breakage	575,000	456,800	430,790	(26,010)
Charges for services	1,716,350	1,981,305	1,824,274	(157,031)
Fines and forfeitures	1,675,600	1,662,300	1,850,157	187,857
Interest income	90,000	105,000	83,459	(21,541)
Rental income	58,000	58,000	50,500	(7,500)
Other	362,400	173,057	150,847	(22,210)
Transfer from other funds	525,977	125,000	134,979	9,979
Transfer from component unit	-	366,177	366,171	(6)
Total revenue	14,430,516	14,323,454	14,182,583	(140,871)
Expenditures				
General government:				
City Council	38,400	38,400	32,549	5,851
Judicial	1,198,517	1,171,217	1,103,807	67,410
City manager	296,150	297,540	285,083	12,457
Elections	41,300	37,406	25,116	12,290
Assessor	106,000	106,000	108,027	(2,027)
Attorney	223,890	245,187	252,774	(7,587)
City clerk	252,265	259,300	259,551	(251)
Accounting and finance	314,755	311,095	301,779	9,316
Treasurer	180,656	176,316	163,675	12,641
Building and grounds maintenance	203,715	199,645	189,134	10,511
Boards and commissions	9,585	18,480	15,925	2,555
General insurance and retiree health care	2,200,852	2,962,320	3,076,368	(114,048)
Total general government	5,066,085	5,822,906	5,813,788	9,118
Public safety:				
Police	4,309,885	4,199,110	4,082,953	116,157
Fire	2,395,976	2,306,237	2,254,536	51,701
Total public safety	6,705,861	6,505,347	6,337,489	167,858
Public works:				
Department of Public Service	866,360	721,299	491,955	229,344
Street lighting	273,830	273,830	296,144	(22,314)
Motor pool	320,435	311,915	350,880	(38,965)
Total public works	1,460,625	1,307,044	1,138,979	168,065

(Continued on next page)

City of Hazel Park, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
Social services:				
Senior citizens program	\$ 58,590	\$ 58,590	\$ 55,708	\$ 2,882
Animal control	47,925	47,925	48,283	(358)
Youth assistance	1,000	1,000	1,000	-
Total social services	107,515	107,515	104,991	2,524
Recreation	270,005	267,775	261,923	5,852
Planning:				
Planning Commission	10,600	4,800	3,583	1,217
Planning, building, and community development	567,010	589,811	575,189	14,622
Zoning Board of Appeals	1,900	2,800	2,114	686
Total planning	579,510	597,411	580,886	16,525
Transfers to other funds	240,915	293,555	238,019	55,536
Total expenditures	14,430,516	14,901,553	14,476,075	425,478
Net Change in Fund Balance	-	(578,099)	(293,492)	284,607
Fund Balance - Beginning of year	226,390	843,012	843,012	-
Fund Balance - End of year	<u>\$ 226,390</u>	<u>\$ 264,913</u>	<u>\$ 549,520</u>	<u>\$ 284,607</u>

City of Hazel Park, Michigan

Note to Required Supplemental Information Year Ended June 30, 2007

Note - Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds, except that operating transfers and debt proceeds have been included in the “revenue” and “expenditures” categories, rather than as an “other financing sources/uses.” In addition, reimbursements of expenditures from other funds have been included in revenue, rather than a reduction of expenses.

The City follows these procedures in establishing the budget reflected in the financial statements:

1. The city manager, on or before 60 days prior to the commencement of the fiscal and budgetary year (July 1), shall prepare and submit to the City Council a complete itemized proposed budget for the next fiscal year.
2. A public hearing on the budget shall be held before its final adoption, at such time and place as the City Council shall direct, and notice of such public hearing shall be published at least 10 days in advance thereof by the clerk.
3. The Council shall, on or before 30 days prior to the commencement of the next fiscal year, adopt a budget for the ensuing fiscal year.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level. The city manager has the authority to approve budget amendments between line items within a department; however, any amendments changing department totals must be approved by the City Council.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

City of Hazel Park, Michigan

Note to Required Supplemental Information Year Ended June 30, 2007

Note - Budgetary Information (Continued)

A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is as follows:

	General Fund	
	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 13,025,826	\$ 13,216,278
Operating transfers	134,979	238,019
Reimbursements from other funds	1,021,778	1,021,778
Amounts per budgetary comparison schedule	<u>\$ 14,182,583</u>	<u>\$ 14,476,075</u>

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City of Hazel Park incurred expenditures that were in excess of the amounts budgeted in the General Fund, as follows:

	Amended Budget	Actual	Variance
Assessor	\$ 106,000	\$ 108,027	\$ (2,027)
Attorney	245,187	252,774	(7,587)
City Clerk	259,300	259,551	(251)
General insurance and retiree health care	2,962,320	3,076,368	(114,048)
Street lighting	273,830	296,144	(22,314)
Motorpool	311,915	350,880	(38,965)
Animal control	47,925	48,283	(358)

In the motorpool department, the cost of replacement parts exceeded the amount budgeted, causing the variance. In the general insurance and retiree healthcare department, the general liability insurance was significantly more than the budgeted amount. For the remaining departments, unfavorable expenditure variances were caused by departmental expenditures being greater than anticipated and unanticipated legal fees. The expenditures in City's remaining departments were less than budgeted. In total, the General Fund expenditures were less than budget.

Other Supplemental Information

City of Hazel Park, Michigan

	Special Revenue					
	Major Streets	Local Streets	Garbage and Rubbish Collection	Police Training	Community Development Block Grant	Drug Law Enforcement
Assets						
Cash and investments	\$ -	\$ 38,894	\$ 544,811	\$ 19,319	\$ -	\$ 294,805
Receivables - Net of allowances	-	-	1,372	-	-	-
Prepaid costs	-	-	14,739	-	-	-
Due from other governmental units	121,415	47,068	-	-	-	-
Total assets	<u>\$ 121,415</u>	<u>\$ 85,962</u>	<u>\$ 560,922</u>	<u>\$ 19,319</u>	<u>\$ -</u>	<u>\$ 294,805</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 5,454	\$ -	\$ 60,959	\$ 300	\$ -	\$ -
Accrued and other liabilities	-	-	5,832	-	-	-
Due to other funds	82,387	-	-	-	-	-
Deferred revenue	-	-	-	19,019	-	-
Total liabilities	87,841	-	66,791	19,319	-	-
Fund Balances - Unreserved, undesignated	33,574	85,962	494,131	-	-	294,805
Total liabilities and fund balances	<u>\$ 121,415</u>	<u>\$ 85,962</u>	<u>\$ 560,922</u>	<u>\$ 19,319</u>	<u>\$ -</u>	<u>\$ 294,805</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007**

Funds

Cable Public Information	Byrne Memorial Justice Grant	Auto Theft Prevention	Capital Improvement and Replacement	PA 495 Fire Insurance Fund	9-11 Police Training Fund	Sick and Vacation Payout Fund	Total Nonmajor Governmental Funds
\$ 116,753	\$ -	\$ -	\$ 86,124	\$ 54,058	\$ 12,710	\$ 10,000	\$ 1,177,474
22,061	-	-	8,457	-	-	-	31,890
-	-	-	-	-	-	-	14,739
-	-	16,419	-	-	-	-	184,902
\$ 138,814	\$ -	\$ 16,419	\$ 94,581	\$ 54,058	\$ 12,710	\$ 10,000	\$ 1,409,005
\$ 446	\$ -	\$ -	\$ -	\$ -	\$ 897	\$ -	\$ 68,056
-	-	-	-	54,058	-	-	59,890
-	-	16,419	-	-	-	-	98,806
5,000	-	-	-	-	11,813	-	35,832
5,446	-	16,419	-	54,058	12,710	-	262,584
133,368	-	-	94,581	-	-	10,000	1,146,421
\$ 138,814	\$ -	\$ 16,419	\$ 94,581	\$ 54,058	\$ 12,710	\$ 10,000	\$ 1,409,005

City of Hazel Park, Michigan

	Special Revenue Funds					
	Major Streets	Local Streets	Garbage and Rubbish Collection	Police Training	Community Development Block Grant	Drug Law Enforcement
Revenue						
Property taxes	\$ -	\$ -	\$ 750,634	\$ -	\$ -	\$ -
Federal grants	-	-	-	-	92,001	-
State-shared revenues and grants	739,453	333,754	-	8,483	-	-
Race track breakage	-	-	-	-	-	-
Charges for services	-	-	477,376	-	-	-
Forfeitures	-	-	-	-	-	62,024
Interest	-	-	38,397	1,109	-	14,498
Other	-	-	-	-	-	-
Total revenue	739,453	333,754	1,266,407	9,592	92,001	76,522
Expenditures						
Current:						
General government	2,083	3,966	-	-	-	-
Public safety	-	-	-	9,592	103,260	842
Public works	292,378	364,543	1,119,745	-	-	-
Capital outlay	-	-	-	-	-	47,853
Debt service	316,418	-	-	-	-	-
Total expenditures	610,879	368,509	1,119,745	9,592	103,260	48,695
Excess of Revenue Over (Under) Expenditures	128,574	(34,755)	146,662	-	(11,259)	27,827
Other Financing Sources (Uses)						
Transfers in	-	95,000	-	-	-	-
Transfers out	(95,000)	-	-	-	-	-
Total other financing sources (uses)	(95,000)	95,000	-	-	-	-
Net Change in Fund Balances	33,574	60,245	146,662	-	(11,259)	27,827
Fund Balances - Beginning of year	-	25,717	347,469	-	11,259	266,978
Fund Balances - End of year	<u>\$ 33,574</u>	<u>\$ 85,962</u>	<u>\$ 494,131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 294,805</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2007

Special Revenue Funds							
Cable Public Information	Byrne Memorial Justice Grant	Auto Theft Prevention	Capital Improvement and Replacement	PA 495 Fire Insurance Fund	9-11 Police Training Fund	Sick and Vacation Payout Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 750,634
-	9,826	-	119,605	-	-	-	221,432
-	-	66,201	-	-	1,142	-	1,149,033
-	-	-	64,371	-	-	-	64,371
-	-	-	-	-	-	-	477,376
-	-	-	-	-	-	-	62,024
5,079	-	278	6,304	-	555	-	66,220
85,624	-	-	101,362	-	-	-	186,986
90,703	9,826	66,479	291,642	-	1,697	-	2,978,076
-	-	-	-	-	-	-	6,049
-	-	83,242	-	-	1,697	-	198,633
11,844	-	-	-	-	-	-	1,788,510
4,963	9,826	-	220,679	-	-	-	283,321
-	-	-	19,211	-	-	-	335,629
16,807	9,826	83,242	239,890	-	1,697	-	2,612,142
73,896	-	(16,763)	51,752	-	-	-	365,934
-	-	23,019	6,100	-	-	10,000	134,119
(40,000)	-	(16,079)	(85,000)	-	-	-	(236,079)
(40,000)	-	6,940	(78,900)	-	-	10,000	(101,960)
33,896	-	(9,823)	(27,148)	-	-	10,000	263,974
99,472	-	9,823	121,729	-	-	-	882,447
\$ 133,368	\$ -	\$ -	\$ 94,581	\$ -	\$ -	\$ 10,000	\$ 1,146,421

City of Hazel Park, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities Agency Funds June 30, 2007

	Current Tax Collection	Agency	Totals
Assets - Cash	<u>\$ 94,968</u>	<u>\$ 196,400</u>	<u>\$ 291,368</u>
Liabilities			
Accrued and other liabilities	\$ 745	\$ 196,400	\$ 197,145
Due to other governmental units	<u>94,223</u>	<u>-</u>	<u>94,223</u>
Total liabilities	<u>\$ 94,968</u>	<u>\$ 196,400</u>	<u>\$ 291,368</u>